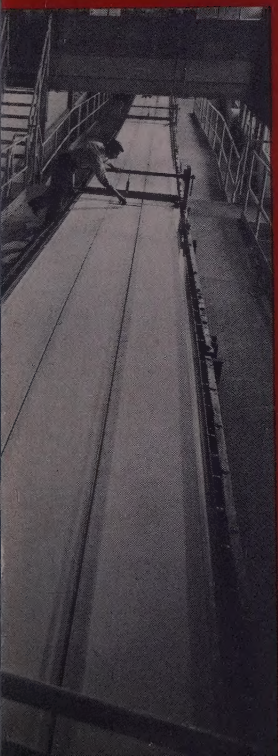
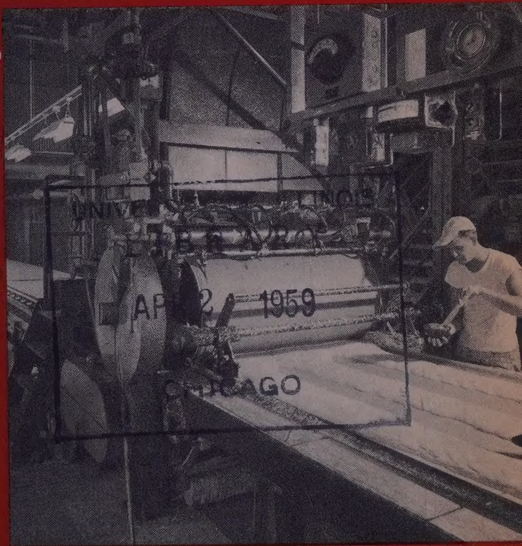
April 1, 1959

Investor's Reader

For a better understanding of business news





US GYPSUM BUILDS ON BOARD (see page 16)

BORDEN DISH

The appetite of this miss for Elsie's Cherry Tart ice cream is one reason Borden Company president Harold Wesley Comfort could present a recent press luncheon with an annual report showing the fifth profit increase in six years. The 1958 earnings gain was small, to $24,600,000 ($5.06 a share) from $24,000,000 ($4.94 adjusted for a 4% stock dividend at the start of 1958). But it was achieved in the face of slightly lower sales (off 2% to $915,000,000) caused by discontinuance of some unprofitable lines. On the plus side Borden scored with Cherry Tart and a basket of other new products. The 102-year-old dairy specialist now woos housewives with such diverse products as instant whipped potatoes ("just flakes and milk") and Marcelle hypo-allergenic cosmetics. It also operates a small but profitable chemical division which makes both industrial resins and vinyl garden hoses.

Handsome president Comfort is particularly enthusiastic about foreign operations from which "we anticipate greater sales & earnings in 1959." This year's acquisition of two ice cream plants in Mexico is "the forerunner of expansion" in fresh food processing abroad. Going on stream under Borden auspices this year will be Brazil's first methanol plant and the company is "studying very intensively the possibilities of the European Common Market. We recognize it is a great area of expansion and will do everything we can to capitalize on it."

The 62-year-old president was reluctant to reveal his 1959 estimates ("We may be too optimistic") but allowed: "Earnings in the first two months were ahead of last year * * * We see no reason why before long the profit margin [now 2.6%] cannot exceed 3%."

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly except for one edition in the month of July. This issue dated April 1, 1959

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Investor's Reader

No 7, Vol 32 April 1, 1959

Packaging Wraps Up More Sales

Industry to Preview New Ideas to Sell The Consumer

THE Palmer House of Chicago will house "the greatest packaging display in history" next week. At the industry's 28th annual exposition some 400 suppliers ranging from packaging bigwigs like American Can and Union Carbide to such small companies as Central States Paper & Bag of St Louis will exhibit the latest in machinery, product design and container fabrication.

Now the ninth largest industry in the US, packaging has had a phenomenal growth. In the last decade alone volume has tripled to an estimated $15 billion last year. Sparking this sustained growth has been what Raymond G Fisher, marketing vice president of Continental Can, calls "a revolution in retail distribution." Biggest spur: the development of the modern self-service supermarket which transformed the package from a mere container to an alluring as well as useful product enhancement.

Within the industry itself packaging has stirred keen competition among the various material suppliers, designers and fabricators. However the old packaging stand-by **paper** in its familiar bag, box and carton forms still ranks No 1 with roughly half the industry market.

Spurred by frozen food and dairy product cartons, corrugated boxes and flip-top boxes, paper packaging has almost doubled in volume in the last decade. But even with their almost built-in demand, paper manufacturers continually strive for new and better methods to advertise and sell their product. One of these is the new multiple package concept—several units in one container—which has spurred product sales and paper packaging sales alike.

Not all paper packagers are paper specialists. For example, large

chemical producer Olin Mathieson does 18% of its business in a variety of packaging products, turns out low-cost Omnikote, a white clay-coated kraft board which is a "good seller." Another Olin paper packaging product: Skidmaster, a corrugated carton with built-in skid control. The company hopes Skidmaster "may solve many stacking and loading problems in the months ahead."

Another new combination product is Fome-Cor which combines the insulating and cushioning qualities of plastic foam with the rigidity and cost savings of paper. Developed jointly by St Regis Paper and Monsanto Chemical, Fome-Cor is used for shipment of such items as flowers and delicate produce.

Metal containers account for one-fifth of industry volume, are the second largest packaging material. The field is headed by American and Continental Can, followed surprisingly enough by the can making factories of Campbell Soup. These three leaders alone last year made 34 billion cans for the food, beverage, cosmetic and petroleum industries. Like Campbell, many food packers have their own container divisions. Among them: Libby McNeil & Libby, Hunt Foods, Stokely Van Camp, Green Giant.

Wonder plastics for heavy-duty bags...

Tin-coated steel is the standard metal packaging material but aluminum is a challenging newcomer. While by the pound aluminum is more than three times as expensive as tin plate (32¢ *v* 9¢), the actual price difference is much less since it is three times lighter. Continental Can which now produces aluminum cans for motor oil and frozen juice feels certain types of aluminum cans can be made competitive with tin plate. It reports a big decrease in fabricating costs since the drawn aluminum process is considerably cheaper than the rolled or pressed method used for tin. Also the use of aluminum eliminates the need for inside coating. Other producers of aluminum cans for motor oils: American Can, National Can and Crown Cork & Seal.

But the greatest potential uses for aluminum are the aerosol cans used for toiletries, cosmetics and foods. Reynolds Metals studies aerosol applications at its recently opened $11,500,000 research center in Richmond. Notes Reynolds can section manager Neal Burleson:

"Work currently underway, if successful, could easily double or triple the aluminum aerosol market."

The third largest field is **glass.** This 4,000-year-old packaging material accounts for over 10% of the volume. Due to big inroads by paper and metal food containers (milk cartons, beer cans, etc) glass has shown a smaller growth rate than paper or metals. However it is still popular for many "growth" items such as baby foods and instant coffee. The industry also reports "steady progress" in cosmetics.

The field is led by Owens-Illinois (which accounts for one-third of the market), Anchor Hocking and the Hazel-Atlas division of Continental Can. One outstanding glass development is surface coatings (silicones) which reduce nicking and breakage. Another achievement: "throw-away" bottles. Looking toward the future, glass producers see "stronger, lighter glass containers with a unit price comparable to 1929."

The newest and brightest area is so-called **flexible packaging**—polyethylene tubes, squeeze bottles, films, cellophane and metal foils. So far this group accounts for 8% of the industry volume. The highly versatile materials are used for everything from food and toiletries to pharmaceuticals.

Perhaps the biggest gains have been made in polyethylene. National Distillers, the No 3 polyethylene producer, reports the wonder material was the biggest selling item of its chemical division last year, topping industrial alcohol. With completion of a new plant in Houston

MONSANTO CHEMICAL COMPANY

. . . and disposable dishes

last month the company will increase its polyethylene capacity to 175,000,000 pounds from 100,000,000 last year.

Besides its far reaching potential for food and toiletries, polyethylene has a number of unconventional uses. Union Carbide's Visqueen film is used to cover delicate scientific instruments which soar far into space in many balloon weather probes. Fellow chemical specialist Monsanto produces a polyethylene for moisture-proof storing of corn and other farm surpluses. One of the latest developments in this highly promising field is a polyethylene bread wrap put out by Philip Morris subsidiary Milprint.

There are many other newsworthy items in the "poly" fields. Dow Chemical (whose polyvinyl Saran film is a major wrapper) has introduced Tricite, a shrinkage resistant polystyrene film used mainly for win-

dow-box cartons but which may see adaptation for multi-purpose disposable trays. Another new Dow development is Methocol, a grease resistant but water soluble film which can be used for packaged soups (drop in the water and boil). From the Pantasote Company comes Panta-Pak (polyvinyl chloride) protective wrap for fruits, candy etc. Versatile W R Grace & Company considers Cryovac one of its important growth products. This polyvinyl film is used to wrap meats and other foods.

Despite the rapid growth of the "polys," cellophane still wraps many products. Turned out by Olin Mathieson, American Viscose and duPont, cellophane is the oldest flexible packaging material. It is widely used to fresh-wrap meats, fish and poultry.

Many of these flexible wraps are also combined with other packaging materials such as paper. For instance: Standard Packaging's "boil-in" bag, a combination of mylar and polyethylene. Introduced for gourmet foods, it will soon be practical for everyday fare as a result of speeded-up, lower-cost production. Many packaging men feel the greatest potentials are in the field of combinations.

Looking ahead, industry, specialists cite the growing popularity of frozen foods, concentrated juices, spray deodorants, heat & eat dinners and the demand for greater convenience plus the trends toward suburban living and once-a-week shopping. Therefore they feel packaging has an untold future, count on a $20 billion volume in the Sixties.

UTILITIES

Telephone History

THE TENTH of April will mark an historic occasion. For the 153rd and last time American Telephone & Telegraph will distribute a dividend of $2.25 a share. This quarterly payout based on Telephone's $9 annual rate set a world record for dividend stability which is not likely ever to be matched again by AT&T or anyone else. But the 1,630,000 stockholders are not likely to mind. Before their next dividend is due in July their stock will have been split 3-for-1 into 212,000,000 new shares; the proposed rate of 82½¢ quarterly thus gives them a 10% pay boost.

Buoyed principally by the split and dividend news along with record earnings, Telephone stock (T on the Big Board) has soared from 168 at the start of 1958 to 243 last week. This is still a goodly way from the alltime peak of 310¼ set in September 1929. But since then stockholders received many valuable subscription rights—nine times to buy convertible bonds, twice to buy more stock directly.

Had anyone bought ten shares at the 1929 high, total cost including commission came to $3,107. Assuming for statistical convenience he could buy fractional shares for his rights, this investor would have acquired another 32¾ shares at an outlay of $4,379 through exercise of all rights and conversion privileges. This would bring his total cost for 42¾ shares to $7,486. Present market value: $10,400, a gain of nearly $3,000.

AMUSEMENTS
A Sour Goody

EVEN AMID a heyday for records, stereo and the national economy, not everyone can grab a branch of the money tree. Pressed by a group of creditors (Columbia, Decca, Capitol for a few), cut-rate musicman Sam Goody last month filed for a "Chapter XI" arrangement under the bankruptcy act. Goody won a rep as a discount platter salesman and at last count his main Manhattan store alone had reached $4,000,000 a year.

AIRCRAFT
Commercial Countdown

AS MANY an aircraft producer knows, it takes a long time to reap the rewards of "highly profitable" commercial work. In fact, conservative write-off policies of many companies often take a heavy toll of profits until deliveries begin in earnest since they charge off a large part of their costs on commercial projects as they occur, long before any income is realized.

The annual reports of two leading aircrafters attest to this fact. Net income for Seattle's Boeing Airplane Company last year declined to $29,400,000 or $4.01 a common share from $38,200,000 ($5.28) in 1957 though sales climbed 6% to a peak $1.7 billion. Boeing president William M Allen cited $34,000,000 in "write-offs of research, developmental, administrative and other general expenses" charged last year against the 707 jets on which delivery only started in October. He also noted an additional charge against 1958 income of $16,000,000 "which represents the amount necessary to reduce accumulated charges [work in progress] on the 707 program."

Down in California Douglas Aircraft fared even worse. For the year ended November 1958 sales climbed 11% to a record $1.2 billion but profits were almost cut in half to $16,850,000 or $4.41 a share from $30,670,000 ($8.03) the previous year. The reasons were much the same. President Donald W Douglas Jr explained: "Write-offs totaled $67,700,000 on the DC-8 commercial jet airliner." Douglas also suffered from a decrease in deliveries of its piston-engined DC-6 and 7 series. Also the company took out of 1958 earnings an additional charge of $2,025,000 for renegotiation of its 1954 profits.

For 1959 the picture is not much brighter and both companies face further declines in income. While Boeing has a considerable headstart over Douglas in the commercial program and substantial deliveries are slated for this year, president Allen notes: "Development and production costs on the commercial jet program are exceeding the amounts previously estimated and a substantial loss is being incurred on the model 707 airplanes delivered or on order." Boeing also faces a change in the contract status of its B-52G bomber and Bomarc missile programs to fixed price from cost-plus-

fixed-fee. While fixed price programs are often more profitable, they are riskier in case of unexpected cost boosts. Also the usual fixed price contract accounting practice is to delay reporting sales and earnings until actual delivery, so earnings are temporarily penalized.

Don Douglas announced: "Despite an impending decline in write-off charges on our new DC-8 jet liner the company is likely to continue showing diminishing earnings until after the second quarter of fiscal 1959 when deliveries on the new planes start." He adds: "Except for delivery of about five or six DC-8s in Spring * * * our profits from the sale of commercial aircraft will be practically zero until Fall."

Investors have taken account of the news and both Boeing and Douglas shares fly far below last year's maximum altitudes. Boeing now trades around 41, down from 58 while Douglas at 56 is a full 18 points below its 1958 high. However after 1959 when most of the charges are already on the books, both companies stand to benefit profitwise from their new craft if orders amass as expected.

COMMODITIES
Clamor in Copper

BULLS on the stock exchange are not news but their sudden romp across the copper board has made commodity-minded traders give the red metal a closer look. Heavy volume (8,600 contracts traded in January and February or quintuple last year) and rapidly rising bids reflect the growing excitement. Since the eight-year low of 22¢ a pound reached in February 1958 copper futures, traded in contracts of 25 tons on the New York Commodity Exchange, have climbed steadily to 35¢ last week, then eased somewhat in a "technical correction."

The optimism has reason. The large primary producers (Anaconda, Kennecott, Phelps Dodge) have a bare three weeks supply as a result of recession-inspired cutbacks. Meanwhile fabricators push for delivery in order to meet a sudden rise in demand by customers.

As a rule, buying & selling futures seldom means the actual commodity changes hands. Before the contract matures, the obligation is usually liquidated by an offsetting sale or purchase transaction. But the present market is so tight some fabricators are actually talking about taking delivery against futures for want of spot supply. Their unfilled orders are the largest since 1956 when some prices reached a peak of 53½¢, highest since the Civil War.

Current activity largely has been spurred by strike threats. Already there has been labor trouble in Africa, South America, Arizona and Tacoma, Wash. Domestic copper labor contracts expire June 30 and some people think any settlement will be on terms set in the steel industry which also booms on pre-strike business. If strikes come, output would be sliced further with resultant effect on prices.

Wide price fluctuations make for exciting futures trading but are not favored by the major miners. They would much rather see an orderly

market with gradual price changes. This Spring with one or two exceptions increases have been restrained to ½¢-to-1¢ moves at fairly long intervals.

Another reason domestic producers are leery is the voluble 1.7¢ tariff which holds back more plentiful foreign copper. Besides, Uncle Sam could unexpectedly change policy and flood the US market by dumping large quantities stockpiled since War II.

The situation in mid-March was so tenuous the custom smelters withdrew from the market for about a week to determine the most advantageous price position. They re-entered at 34¢ (up 2¢ from the previous price) and still offered only limited amounts for sale.

When & where the price rise will end, few metalmen will guess. Certainly there will be pressure until the strike situation clarifies around mid-year.

BEVERAGES
Royal Coronation

IN A Wilmington corporate trust office last week proxyholders for the 3,400 owners of Nehi Corp voted to change the company's name in line with its "spearhead" product. New title: Royal Crown Cola Company (RCC instead of NHI on the Big Board). This decision for product identification reflects a new aggressiveness in the management thinking which is bubbling into every phase of Nehi — oops, Royal Crown — operations.

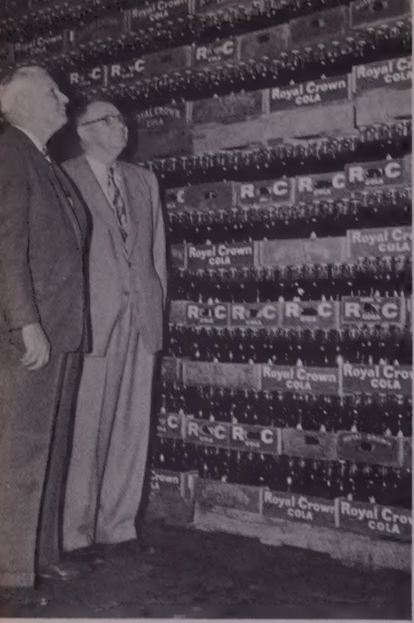
The largest advertising campaign in the 54-year-old company's history is newly underway—a $5,000,000 effort to familiarize the world with Royal Crown ("the *fresher* refresher") and its sister beverages: Nehi, Par-T-Pak, Upper 10 and Diet-Rite. It should pack an expert punch. Newly hired ad agency D'Arcy Advertising had 49 years of successful cola experience with Coke. Another sign of the company's determination for aggressive growth: last year Coke and Pepsi alumnus Richard H Burgess was brought in as vice president for the newly created post of director of marketing.

Long popular in the Southeast, Nehi has expanded rapidly in the last few years, now has bottlers in 50 states and nine foreign countries. Chairman T H Stanley is currently in Europe in search of more bottlers and customers.

The "multi-packaged, multi-flavor beverage producer" introduced canned beverages back in 1954, last year sold 41% of all US soft drinks served in metal containers. But Royal Crown is not forgetting the bottled market. In 1956 the cola's bottle and label design was radically changed; last year a 16-ounce bottle was successfully test marketed.

Royal Crown operates through franchised dealers who bottle and distribute the drinks. They add sugar and water to concentrates of cola, orange, grape, etc produced in the Columbus, Ga home plant. The company also has eight canneries which provide the franchised bottlers with canned drinks.

Royal Crown's efforts have brought steadily higher sales: $18,-315,000 last year *v* $18,063,000 in



Royal Crowners Glenn and Stanley

1957. But higher costs limited 1958 profits to $1,233,000 ($1.19 a share), only a few drops above the $1,229,000 (also $1.19 a share) netted in 1957 and below the $1.34 a share in 1956. The company has not had a loss since 1932.

A key man in Royal Crown growth is gentlemanly president Wilbur H Glenn, a Nehi man for 31 years. Alabama-born Glenn began his career in the Birmingham plant during teenage summers. After graduation from Alabama U in 1928 he came to Columbus and worked his way up to president by 1955. From his Georgia office last week slow-spoken Glenn saw the name change as a corollary to RCC's national magazine campaign in *Life*, *Look* and *Saturday Evening Post*. He predicts the new "corporate image" will spur "a 10% sales increase for 1959 with at least a 10% increase in earnings. Sales in January and February were a little ahead of last year."

Faith in the company's growth potential was strongly affirmed last November by Birmingham financier Edward L Norton who has intimately followed Nehi fortunes from a director's seat for the past eleven years. To his previous 12,000-share holdings he added 65,000 shares picked up from Picket-Hatcher Educational Fund, a dispenser of student loans established by Nehi founder Claud A Hatcher. He also took options on 35,000 additional shares. The Picket-Hatcher Fund still holds 83,000 of the 1,034,000 Royal Crown shares but Ed Norton is now the largest individual holder, became chairman of the newly created finance committee in December.

While on a trip to Manhattan last week, big investor Norton shied from detailing his reasons except to say: "They're the third largest cola company and have now attained national distribution, about 450 franchise holders and a strong advertising program. They'll pay their 84th consecutive dividend in April [20¢]. I think they have the finest cola product and I think cans have a very bright future."

The fizzing activity has had its effect on the common stock (there is no preferred and no funded debt). The stock was limited to a narrow 16¼-to-13 range from 1955 till late 1958 but the last six months have seen the shares climb from 14 to an eleven-year high of 18.

ELECTRONICS

Vanguard Voice

THE FIRST birthday of the Vanguard I satellite was celebrated by its naval, scientific and industrial parents two weeks ago. Although it could not claim the distinction of being the first, largest or longest-lived of the man-made orbiters, the year-old satellite is the only one of the seven US and Russian space travelers now in orbit which still sends signals back home.

All through the year the satellite's solar-powered transmitter has regularly beeped out space facts to electronic trackers. Scientists feel its sun-powered voice may continue to broadcast for centuries. In fact Project Vanguard director John P Hagen suggests it may be necessary to find a way to turn the darn things off in the future (not much could be done anymore about the Vanguard's voice). Otherwise, as ever more missives are launched, an uncontrollable etherial gabfest by the veterans might someday drown out the voice of new space explorers.

Producer of this persistent solar transmitter is sun-minded Hoffman Electronics Corp of Los Angeles (IR, Sept 17, 1958) which manufactures solar cells, semi-conductors, radio, TV & phonograph sets, has an electronic hand in a number of other space & missile programs. Recently president H Leslie Hoffman offered proudly: "The launching of the Vanguard a year ago ushered Hoffman into the Space Age. Our activity has become an integral part of the support systems necessary for Space Age technology * * * Today we are confident we are on the threshold of a new period of significant growth. In the past few years we have been on somewhat of a plateau in sales & earnings."

To translate this into concrete figures, Les Hoffman went on to relate: "It is our objective in 1959 to exceed all previous sales and profit levels. This would mean sales in excess of $50,000,000 and profits in excess of $1,900,000 [about $2.75 a share]." Still on the "plateau" last year, Hoffman's preliminary results show sales around $39,-500,000 compared to $41,000,000 in 1957, earnings of approximately $2.30 a share *v* $2.25.

Plateau or no, Hoffman stock has already blasted off for outer space. It recently hit an alltime high of 63¾ on the Big Board, double last September's price and triple January 1958.

OIL

Indiana in Argentina

SEVERAL READERS have questioned the facts and terminology used by the INVESTOR'S READER in the March 4 story on Standard Oil Company of Indiana. Argentina grants no "concessions" but instead signs "development contracts" which have no set price but require a stipulated amount of work in a certain time. Therefore Standard of Indiana did not pay $60,000,000 as reported but has obligated itself to unknown millions over a 15-year span.

The official prospectus covering $200,000,000 of debentures issued last October 1 says this: "In Ar-

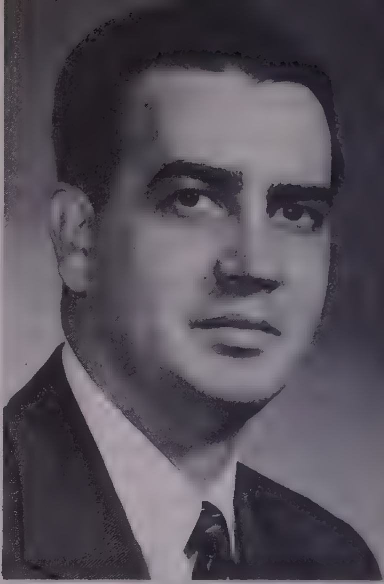
gentina, the company has recently entered into a contract to develop oil production on a million acre tract in the Comodoro Rivadavia area. The contract is for 15 years and the company has an option to renew it for an additional five years. The company is obligated to drill 50 wells within the first year. Depending on the results of the first year's program, an additional 100 wells will be drilled and a 40-mile pipeline will be built by the company in the second year."

In Chicago last week an official of the company pointed out the Argentine government will pay $1.60 a barrel for future oil (rather than $1.59). More importantly this price is after Argentine income taxes.

Standard of Indiana frankly admits it has to work fast to meet the terms of the contract. As of early March it has "brought in" two wells which leaves 48 to go by the July deadline. The executive stressed: "But things are going much better now that we are under way. We expect to make it."

TEXTILES
Lowenstein Presents

THE DAY before he celebrated his 41st birthday on March 4, dark, good-looking Everett Coleman Drake was elected president of M Lowenstein & Sons Inc. He succeeds Donald Tansill who became chairman of the board. In turn Don Tansill replaces Leon Lowenstein (son of founder Morris Lowenstein) who was named to the new post of executive chairman.



Birthday present for Drake

Out of high school in the depressed Thirties Everett Drake started as a clerk at a Merrimack Manufacturing Company cotton weaving mill in hometown Huntsville, Ala. He worked his way up to office manager. When Lowenstein bought Merrimack in 1946 Everett Drake was transferred to New York as a liaison man. As parent Lowenstein acquired more mills, young Drake's liaison responsibilities grew. In 1949 he became an assistant vice president, in 1954 a full vp. Two years later he added the duties of comptroller, last month was named a director as well as president.

Don Tansill is also a veteran textile man. After studying at Columbia he went to work in 1916 for Bliss Fabyan & Company, a textile selling agency. In 1925 he was hired away by Pepperell Manufacturing Company where he was named vice president in charge of sales in 1937. He joined

Burlington Mills 13 years later as a vice president and in January 1952 he came to Lowenstein as executive vice president in charge of merchandising. He was named president in 1954.

The new president and chairman head one of the world's largest textile manufacturers. The venerable 70-year-old company does a $285,000,000 annual volume, 90% of which is in cotton and synthetic piece goods. These are sold mostly to clothing manufacturers but Lowenstein also has producers of handkerchiefs and household articles on its textiles customer list. The remaining 10% is in plastic film and such finished articles as sheets, towels and pillow cases which it sells under the brand names Lowenstein, Pacific and Wamsutta.

Like most of its competitors Lowenstein has suffered from keen competition and industry over-capacity. Thus despite a number of acquisitions, sales had dipped from a peak $291,000,000 in 1956 to $285,000,000 in 1957, are estimated somewhat lower last year.

The company's earnings had unraveled from a healthy $10,800,000 or $3.80 a share in 1955 to $3,040,000 ($1.07) in 1957, are estimated at only 55-to-70¢ for the past year. However the Tansill-Drake team takes charge at a time when many textile men expect the badly tattered industry to mend some of its tears. Hence with higher textile prices Lowenstein looks to a sturdier 1959.

Meantime the cost conscious company has done some doctoring of its own. In January it shut down

Move up for Tansill

its last New England plant, the Wamsutta factory at New Bedford, Mass and shifted production to more profitable Southern locations. Last year it consolidated the Roxboro, NC towel operations with other production at Columbia, SC and closed its unprofitable denim plant in New Orleans. Another economy step: consolidation last May of the offices of subsidiary Pacific Mills at Lowenstein's own Manhattan headquarters. The company figures this move will save them some $2,000,000 a year.

Despite the company's cost cutting and optimistic outlook however Lowenstein stock has yet to reflect investor confidence. The 2,800,000 common shares (which are 42% held by Lowenstein interests) trade on the Big Board around 16, up five points since last year but just half the 1955 peak of 32.

DRUGS

New Drugs and Increased Research Broaden Merck Horizons

IN THE wonder drug industry where earnings gains are often spectacular, $200,000,000-assets Merck & Company has managed the superspectacular—outdoing many of its accomplished competitors. The Rahway, NJ druggist reported the greatest year-to-year income gain of any major drug company with 1958 profits a record $27,700,000 or $2.64 a common share—20% more than the year before.

The increase came despite keen competition both here and abroad which forced Merck to make deep price cuts in two of its most important lines: vitamins and antibiotics. The healthy profits showing was even more outstanding since it was based on only half as great a gain in sales—an 11% rise to $206,000,000.

In fact, ever since John Thomas Connor took over as president in the Fall of 1955 Merck has managed to boost earnings at twice the rate of sales expansion. Specifically, volume for the three years is up 31%, profits 62%. Merck stock has likewise responded to the trend. From a low of 20 in 1955 it quadrupled to an alltime peak of 83 late last year, currently trades around 78.

Jack Connor makes it plain the boost in profit margins is no accident. It is all part of a well-planned product modernization program in which "our emphasis has not been on increasing sales but on profits." Hence in the past three or four years Merck has dropped or replaced several hundred "poor sales and profits" items. The theory: "The detail man in the doctor's office has only a limited amount of time. We found that often the more important products were getting left out or slighted."

Another facet of the Merck plan has been to boost profits by "adding new products and new operations, primarily through our own research." Merck research expenditures have climbed from $10,900,000 in 1955 to more than $17,000,000 last year. Put more impressively, Merck now spends 8.3% of every sales dollar on research *v* 6.9% in 1955.

Research has paid off with shelves of new and profitable products for the New Jersey firm. In the past few years the vitamin, antibiotic and hormone producer has made drug history with such items as the Deltra anti-arthritic drugs; staphyloccus fighter Cathomycin; Inversine, an anti-hypertensive agent; a score of organic chemicals, veterinary aids.

Two-D. Two recent developments from the Merck labs are particularly promising. First is Diuril, introduced in January 1958. This oral diuretic is capable of double duty. By itself or upgraded to Hydro-Diuril, it gets rid of excess water and fluids which build up in body tissues as a result of certain diseases such as high blood pressure. In combination form with reserpine, Diuril has an even more far-reaching potential—it eases hypertension without the adverse side effects attributed to other drugs.

Diuril was responsible for much of Merck's good 1958 showing. Notes president Connor: "It has

taken an important place in medical therapy." So far only one other drug company, Ciba, has brought out a competing product. And Merck has a year's headstart so it stands to reap further healthy gains from the Diurils this year.

The other key product—Merck's newest—is the steroid hormone Decadron. After ten years of research and testing in the cortisone field, Merck introduced Decadron last Fall. It is used mainly to treat arthritis, is also effective for hay fever, asthma and other allergies. Comments druggist Connor: "Decadron represents an improvement over all similar drugs on the market. It is only in its introductory period and still far from its peak but it has been well received by the medical profession."

Merck has high hopes for this product. Despite the fact it faces stiff competition from Schering Corp's new Deronil, "we expect to get an increasing percentage of the cortico-steroid field."

The drug industry's inevitable and rapid obsolescence as even the most marvelous wonder drugs are replaced by newer wonders makes constant development of new products essential. Jack Connor concedes: "We've got nothing right on hand to introduce next week but we will continue our active research."

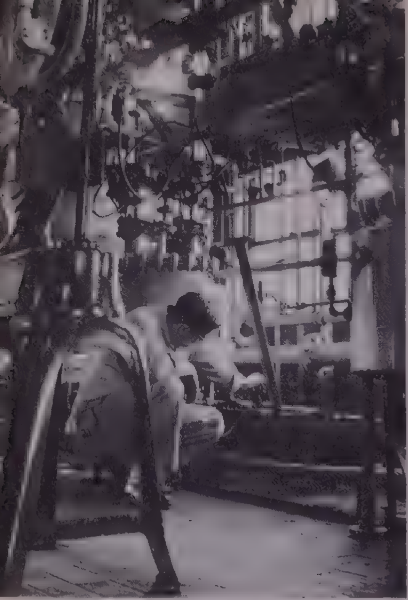
Third D. Merck knowhow has also led into another phase of Merck philosophy: "reasonable diversification." Jack Connor explains: "By this we mean the development of lines of products or trade channels which flow naturally from the experience and qualifications we already possess."

Early last year Merck entered the electronic chemicals field, began production of silicon at a new $5,000,000 plant in Danville, Pa. Silicon is used for transistors, diodes and rectifiers which go into radio, TV, industrial controls, computers and other electronic devices.

But the new field is not without its snags. The heavy startup and promotion costs have yet to be offset by any great sales surge. Reports Jack Connor: "This is an intensely competitive field and up to the present time our volume has been disappointing according to our expectations. To date our silicon production is not at a profit but it has good long-range possibilities and we fully expect it to get into the black within the next few months." Another chemical item is flavor enhancer monosodium glutamate.

While Merck does most of its business in the States, growing foreign markets now account for 27% of sales. Through its international division the company operates in Canada, South America, Britain, the Netherlands, Japan and Australia. Last Spring Merck teamed with Hindustan Antibiotics of Pimpri, India to build a new streptomycin plant. While Merck has no equity interest in the new plant it will supply for a set fee all the knowhow and technical production assistance as well as engineering aid.

Merck has also made a direct investment in India through a 60% stock ownership in Merck Sharp & Dohme of India; the rest of the



Catalyzing process for Decadron

stock is controlled by India's Tata Sons Private. It plans a full-scale medicinal-chemical and pharmaceutical plant in Bombay.

Foreign business is often more profitable than domestic but unpredictable trade restrictions, currency fluctuations and ever-increasing competition tend to make it more risky. However Jack Connor feels "Merck has built its foreign business on a base sufficiently broad so we can take the risk that adversities in one country will be averaged out by favorable developments in others."

To Judge the Future. Lawyer-turned-druggist Connor (he came to Merck as a 27-year-old general attorney in 1942, moved up to vice president in 1950 and took the top job five years later) likes to think of the future of Merck and the drug industry in terms of its performance since War II. As just one example of what may be in store he points out in the twelve years 1945-1957 the consumer boosted his drug spending fivefold. He also cites three other potent forces which "seem to be working in the direction of continued expansion": 1) the many diseases still to be conquered; 2) the enormous increase in medical research expenditures—"I think it is safe to predict total national expenditures will pass the billion-dollar mark by 1965"; 3) the growing proportion of old folks in the population.

As still another factor in the future he identifies "the new era in medical research"—Government aid in basic research. Unlike many businessmen he favors a certain amount of Government help. He notes: "Since basic research has no short-term payoff in products," it should be undertaken by the Government with the pharmaceutical companies undertaking the task of translating the results into products.

But, as a result of rising Government research expenditures as well as of increasing private enterprise competitive pressure, he sees "first, expanding markets both at home and abroad; second, lower profit margins." However this profits margin capsule will be easier to swallow because it will be coated " by consistently rising total dollar profits." He explains: "We cannot expect to receive the same return from drugs developed in substantial part by public funds as we have a right to ask when the entire cost is underwritten by our own stockholders."

For Merck itself he is less specific: "To preserve my own economic health I prefer not to make specific predictions about the future of our company in terms of dollars & cents." However "I think we shall continue to be a leader in our chosen fields of activity."

WALL STREET
Vanishing 'B' Stocks

THIS WEEK the stockholders of $71,300,000-assets Collins Radio Company (IR, March 4), gathered in special session at Cedar Rapids headquarters, will reclassify the 740,000 voting Class A and 770,000 non-voting Class B shares into a single issue of common stock with equal voting privileges.

The company has kept mum but Wall Streeters figure the move may pave the way for a listing application for the over-the-counter traded stock. The New York Stock Exchange refuses to list any common stock without full voting privileges, has been instrumental in making the once-popular A&B stock tandem (or similar class distinctions) a fast-dying institution.

As if to emphasize the single-class trend, this week also marks the formal end of the two-stock system at tobacco king R J Reynolds though the key decision was taken fully ten years ago. Earlier Reynolds had 1,000,000 shares of common and 9,000,000 shares Class B common. In dividends and other rights the two stocks were identical but only the regular common could vote. In 1949 the stockholders agreed to give their Class B brethren the vote, also arranged to make the regular common shares exchangeable during the next ten years into 1¼ shares of Class B common.

Any common holder failing to exercise the exchange privilege by March 31 this year would have his stock automatically reclassified into just one (not 1¼) B share. Final figures are not yet available but it is evident next to no common holders were caught by the deadline. Only 749 of the old shares were still outstanding last February when the Stock Exchange dropped the dying issue. The active "B" of course remains. Now with the old common officially dead, stockholders will celebrate at next week's annual meeting by splitting the surviving B stock 2-for-1 and renaming it just plain "common."

One of the recent converts to the single-class system is Columbia Broadcasting System whose Class A (cumulative voting rights) and Class B (straight quorum vote) stocks went off the air in January. They were replaced by a single issue of non-cumulative voting stock which "would do away with all the confusion about the two classes and thus make the stock more marketable."

Undoubtedly the most prominent recent stock simplifier is of course the Great Atlantic & Pacific Tea Company, long one of the most reticent and closely controlled major corporations in the country. Last December it simplified its corporate structure and reclassified the non-voting common and preferred stocks into the single new all-common issue now listed on the Big Board.

US Gypsum Builds for Future

Solid Midwesterner
Expects to Profit from
Coming Construction Boom

WHEN HE was offered the job of assistant comptroller of US Gypsum Company back in 1928, Clarence Huston Shaver admits: "I didn't even know what gypsum was. I went home that night to look it up in the dictionary." But the young accountant who had served a four-year apprenticeship with Chicago auditors Arthur Andersen & Company took the job and soon learned the facts and figures of the gypsum business. Within five years he was named secretary, treasurer and a director. He became a vice president in 1949 and in 1951 jumped to his present position of chairman and chief executive officer. He succeeded Montgomery Ward patriarch Sewell Avery who at the time held the chairmanships of both companies and who still sits on Gypsum's board.

Like initiate Shaver, many people do not know exactly what gypsum is though both name and product sound familiar. It is a non-metallic mineral chemically called hydrous calcium sulphate. Most laymen will recognize its "calcined" (ground-up and cooked) state as plaster of Paris. This is gypsum's biggest use; in this form the mineral finds its way into wall and finishing plaster bases (wet wall) as well as into such specialty applications as medical and dental molds and casts. Next to plaster it is most often used as a core material for gypsum wallboard (dry wall) and plaster board (see cover), partitions and roof tiles. Raw gypsum is a component of Portland cement and a valuable soil additive in scientific farming.

Easily the No 1 producer of gypsum and gypsum products, $300,000,000-assets US Gypsum is estimated to account for roughly half the country's gypsum market. Though fairly large (about $400,000,000) the gypsum field has relatively few participants. No 2 is Buffalo-based National Gypsum which sells a quarter of all gypsum products. The rest is divided between No 3 maker Bestwall Gypsum (spun off in 1956 from Certain-teed Products), Celotex, Ruberoid, Flintkote, Henry Kaiser's Permanente Cement and a few others.

As US Gypsum dominates the market, so gypsum dominates USG. In its refined or various manufactured states, gypsum accounts for close to two-thirds of company volume and (most outsiders believe) a larger share of the profits. The company operates 24 gypsum manufacturing plants in the US, three in Canada. These are supplied by the vast and rich company-owned gypsum deposits located throughout the US as well as Canada and Jamaica —"enough for ample supplies for at least 100 years."

While gypsum is a fairly abundant commodity—it is found in commercial quantities throughout the world including 23 states of the Union—not all gypsum deposits can be feasibly developed. Gypsum is a fairly low-cost commodity ("worth

a couple of pennies a ton in the ground") so to merit development the deposit must be sizable and concentrated enough and have a high degree of purity. Mining operations may vary from the deep shaft type as at the about-to-be-developed property at Sperry, Iowa where deposits are located about 600 feet below the ground to open-pit mining at the Plaster City, Cal quarry where deposits are found in thick exposed layers and "all we do is blow the gypsum down to the floor of the quarry where it is carted away."

All operations however have one essential in common—accessibility. Along with its low intrinsic value, gypsum is also fairly heavy in weight and so cannot be economically transported for great distances except by water. Hence 16 of USG's plants are right at or near a quarry site, including the new plant now underway at Sperry. All these inland plants are also close to major markets. The other eleven plants are located on deep water mostly along the Atlantic and Gulf Coasts (plus one plant in Montreal on the St Lawrence and two on the Great Lakes).

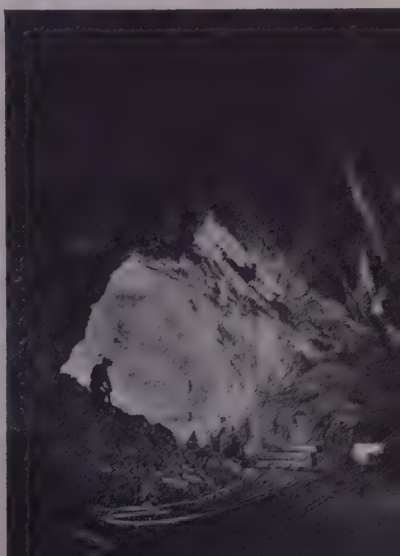
These areas are crowded with customers but lack deposits. USG supplies them via five company ships (plus several chartered ones) which transport gypsum rock to the processing plants from quarries on the coasts of Nova Scotia and Jamaica.

Popcorn. Closely allied to its gypsum business are perlite operations. Perlite comes from lava which is crushed to small pebble form but "when heated it pops like popcorn—by trapped moisture which explodes into steam." When expanded, the perlite is mixed (in place of sand) with gypsum stucco to make a ready-for-use plastering material. US Gypsum owns 15 perlite expanders which get their needed raw material from two company-owned Western quarries.

Finally the company's gypsum operations are rounded out by six paper mills which make the paper needed in the manufacture of gypsum board. And nothing if not integrated, one of the company's mills also makes the bags to ship the gypsum plasters.

Despite its heavy concentration on gypsum products USG makes a wide range of other building supplies. At four lime plants it produces finishing lime for interiors and quicklime for industrial use. Two steel fabricating plants make metal lath and other items for wall

Nation's deepest gypsum mine



Midwestern Tex Shaver

structures, steel roof decks, railroad car accessories, etc. USG also owns two insulation board plants (one has a hardboard operation), four asphalt roofing plants, one asbestos-cement shingle facility. In addition it makes acoustical tiles and plasters and insulating wool.

With this hefty assortment of building supplies US Gypsum has played a big role in the postwar building boom. The boom in turn has added a fine finish to USG sales and earnings, both of which have more than tripled since 1946. In fact, last year despite a somewhat slow start due to severe weather conditions and a sluggish housing market, the company nonetheless scored new records. Volume reached a high of $265,800,000 or a 6.5% increase over the previous year. More surprising, net income clambered all the way to $40,930,000 or $5.05 a common share compared with $4.78 a share in 1957 and the previous peak of $5.01 in 1956.

This firm postwar foundation has spelled good news also for the company's 13,000 stockholders. The 8,000,000 shares of common have risen from a low of 17 in 1946 (adjusted for a 5-for-1 split in 1956) to their recent high of 112. They now trade on the Big Board around 109.

Dividends have been paid regularly each year since 1919. The company follows what it calls a "conservative" dividend policy—a regular quarterly plus extras. Hence total payout has increased each year since 1953. The current quarterly is 50¢, but with a 35¢ extra paid in October and a 50¢ extra at the end of the year the total 1958 disbursement came to $2.85 *v* $2.75 in 1957 and $2.50 in 1956.

Thanks to its Sewell Avery heritage the company also maintains an ultra-conservative balance sheet. There is no debt and only 78,000 shares of non-callable $7 preferred. Working capital stands at a hefty $107,000,000 while cash items alone are more than double total current liabilities.

Sweet Home. Since a large part of USG products goes into residential building, its fortunes depend in some degree not only on the vagaries of the weather but on the construction market — particularly one & two-family homes. Housing starts have been quite cyclical but US Gypsum has weathered this far bet-

ter than its competitors. In only three of the past twelve years has the company failed to set a sales gain; in only four of twelve years have earnings failed to top the previous year.

Added to this is a remarkable record of stable profit margins. Thus despite the too familiar cost-price squeeze in the past five years Gypsum's after-tax margins have ranged only narrowly between a solid 15% and 16%. "Tex" Shaver ("I was born in Michigan and went to Michigan State but my middle name Huston—despite the way it's spelled—was enough to establish my nickname") is rightfully proud of this record, attributes it to the fact "we are an expense and cost-conscious company. So despite periodic increases in wages we have managed to do a better job of productivity."

One good reason for the better productivity has been Gypsum's solid program for expanding and improving its facilities which has totaled roughly $200,000,000 since 1945. Last year it spent $16,600,000 which included several new and enlarged warehouses as well as a new gypsum manufacturing plant at Houston. This year the company plans to spend approximately $26,000,000, much of which will go into another new gypsum manufacturing plant at Sperry, Iowa and to double capacity at its Hagersville, Ontario plant. And of course "we'll build the usual new and enlarged warehouses and other projects to improve our operations and provide better customer service." Further ahead "we have no specific program. We will formulate it as we go depending on how our needs develop."

Meet the Market. Many industry observers feel the gypsum industry may now be overexpanded as far as capacity is concerned. But Tex Shaver is not worried. He points out: "Last year was an example * * * the upturn in housing starts and the increased demand for gypsum products completely justified the capacity enlargements of recent years."

Currently Gypsum operates "at a composite rate" of three shifts, 5-to-5½ days a week. Certainly due to the yearly and seasonal fluctuations in the building industry no plant can hope to operate at or near peak capacity all the time. "Our philosophy as regards capacity, which seems to us to be good business, is that we should have sufficient capacity to fulfill our customers' needs during the peak months of the peak year. This inescapably leads to excess capacity, in varying degrees, during other periods. Although there are some cost penalties and operating difficulties associated with less than a full and stable output, we are able to adjust to lower and variable levels of production reasonably well."

Thanks to an active engineering staff which studies plant operations at each of its locations, Gypsum plants both new & old are among the most modern and efficient in the industry. One example of economy: the new Houston plant. "The calcining kettles are three stories high and there are gauges and controls on each level needed to keep the

entire operation in balance. We used to employ one man for each floor. But at Houston we put in a two-man elevator and we now need only two men to do the job of three." This simple principle can also be incorporated in many of Gypsum's older plants.

Another indication of efficiency: multiple operations. One gypsum plant for instance makes not only a full line of gypsum products but also incorporates such facilities as a paper mill, paint plant, acoustical tile plant, mineral wool plant plus a large sample department.

Gypsum effects still further economy in its shipping operations. Four of its five ships are self-unloaders, use a pair of conveyor belts to move the crude gypsum from the boats to the dock. This has meant a tremendous labor saving for USG and Tex Shaver admits as a result "we can ship our raw materials far cheaper ourselves than if we hired outside transportation." Shipping by water is essential to Gypsum. It is the only mode of transportation cheap enough to supply its coastal operations "and as long as we want to serve the coasts we have to build waterfront plants and have to ship."

With the additional raw material demand created by the new Houston plant which is located on a ship channel, Gypsum recently ordered another 11,400-ton transport ship which is now being built in France. However it will not be completed till late next year and "this year we expect to do some chartering."

Look Ahead. For this year Tex Shaver sees "a good year. It certainly started out better than last year but this is somewhat misleading since last year was a very poor starter and ended up extremely strong." As for any firmer prediction "I have no comment. We have just finished what is traditionally our poor season and the year is yet too young to project further."

For Gypsum of course it largely depends on the level of housing starts. "There could very easily be a decline later on. I expect at least a leveling off" from the current rate "with a total right around last year's 1,200,000. Vacancy rates are higher than they were a few years ago; rental rates are rising at a lower rate than they did up to a few years ago. All these factors indicate there is no acute shortage in housing now that could create a big bulge."

If & when new housing legislation is enacted this session, the spur to new construction "would obviously bring more business for us." But staunch Republican Shaver remarks: "I hate to see the Government get involved unnecessarily in private business. If it gives the industry a shot in the arm, it will just create a bulge now which will detract from the future and I don't think it is needed now."

As for the Sixties, 60-year-old Tex Shaver figures "housing starts may well run up to 1.4-to-1.5 million a year. With the coming rise in new family formations, it is certainly a fair expectancy." Considering the busy future, he may have even less time for "that occasional game of golf. But anyway work is such fun I don't think I'll miss it too much."

Mexlight: The Keynote Is Growth

South-of-Border Utility Works for, Benefits from Mexican Industrialization

MEXICO is a land of sharp contrasts. Generally the people are either very rich or very poor. The large cities have soaring skyscrapers, busy financial districts, traffic jams, sophisticated citizens in chic shops and fancy restaurants. A few miles outside the cities, peons go barefoot, wear serapes, live on *tortillas* and *frijoles* (beans), dwell in adobe huts and come to market every week with pigs or chickens to barter.

All this is changing fast. Mexico is in the midst of an industrial revolution which means a higher standard of living and a growing middle class. This is mostly the outcome of government policy. But industry does its part too. Typical is The Mexican Light & Power Company, Ltd.

Despite its name, "Mexlight" was organized under Canadian laws back in 1902. It all started when a young US engineer, Frederick Stark Pearson, visited Mexico. He had built electric plants in the US, Canada and Brazil and had heard there were good sites for hydroelectric development in the Necaxa area of Mexico.

Necaxa is more than 100 miles from Mexico City and no transmission line that long had been built anywhere in the world but he headed for the area. At the end of the railroad line he rode a burro. He selected a site and returned to Canada, raised the needed money in Toronto, New York and London. Back in Mexico, he built what was then the world's largest earth dam, the longest transmission line and the Necaxa hydroelectric plant.

Today the Canadian company plus seven wholly owned subsidiaries are an integrated public utility system which is No 1 in Mexico and sells 40% of the nation's total consumption. The $250,000,000-assets utility is also Mexico's largest privately owned company; only the government-owned oil companies and railroads are bigger. The company supplies some 675,000 customers in 412 towns and villages including Mexico City (population: 4,000,000), fourth largest city in the Western Hemisphere, twelfth largest in the world. Mexlight's 12,000-

Potla hydro plant

square mile area is the most densely populated and industrialized part of Mexico.

Mexico's production has been rising twice as fast as population and use of electric power has been rising at twice the world average. According to chairman William H Draper Jr: "It has more than doubled in the past eight years—a record which has surpassed the growth of the entire previous half century."

At Mexico City headquarters last week he pointed out the rate of growth in the city and surrounding areas has been even faster. He commented: "Our area has shown enormous growth. In fact we have opened 28 branch offices in the past six years. The city has grown so rapidly, whole colonies have appeared and there has been a campaign on to electrify these new outlying colonies." Another factor: many US companies have affiliates in Mexico and bring Americans down with them. Because of the favorable climate many American executives stay on to retire.

Enter Kilowatito. Mexlight actively encourages and promotes greater use of electricity. Early in 1957 it recruited the services of Reddy Kilowatt to help in public relations, sales promotion and industrial relations programs.

The company decided the best name to give him was Kilowatito. He introduced himself: "*¡Soy Kilowatito, su servidor electrico!*" or "I am Kilowatito, your electrical servant." In newspapers and magazines Kilowatito drives home the comfort and convenience of electrical appliances. He declares: "*Viva mejor con Electricidad*" or "Live better with Electricity." Or he asks: "*¿Que puede comprar con un centavo?*" or "What can you buy with one centavo?" Some answers: 30 minutes of reading light, refrigeration for over an hour, half an hour of record playing and so on.

The company also encourages its own employes to buy more appliances. A visit to the company's new central office building in Mexico City shows employes are part of the new fast-growing middle class. Mexlight has the largest private office building in Mexico with fluorescent light, air conditioning, electric escalators and plenty of space. Outside are rows upon rows of US-brand, Mexico-assembled automobiles, almost all owned by employes.

To date, most of Mexlight's growth has been in industrial sales. At last count about 68% of total

revenues came from such customers, 25% from residential and 7% from government, tramway and others. The company is convinced that as the middle class expands and prospers, there will be a much faster rise in residential sales. Meanwhile, there is evidence that once a customer is "electrified" he uses more

juice. Yearly sales to residential customers have increased from an average of 589 kwh in 1951 to 864 last year. Even so this is still very low compared to US residential use.

Profits & Problems. The company's gross operating revenues climbed from $22,604,000 in 1950 to $42,144,000 in 1957. Earnings have increased steadily—from $1,271,000 or 15¢ a share in 1950 to $4,889,000 ($1.96) in 1957. One exception: 1954 when profits dropped to $2,389,000 *v* $4,015,000 in 1953 because of the peso's devaluation.

Another exception may be 1958. While final figures are not yet available, earnings are expected to be somewhat below 1957. For the nine months ended last September 30, the company reported net income of $2,369,000 *v* $3,580,000 in the like period of 1957. According to chairman Draper the company's 1958 earnings were adversely affected by higher fuel costs during the first six months, resulting from not enough rain in 1957 and considerably higher wages under the collective labor contract effective March 16, 1958.

To compensate for the wage increases, the government granted the company an average increase of about 4.7% in rates effective February 1, 1959. Mexlight has asked for a further increase in rates to make up for the approximately one-third boost in the price of fuel oil it buys from the government-owned Petroleos Mexicanos (Pemex). No action yet.

Chairman Draper looks ahead and says: "The keynote is growth. If demand for power in Mexico

Mexlight diplomat Draper

continues to increase at the recent rate, Mexico's 2,500,000 kw of installed power will have to be doubled in six or seven years." At the moment the company generates about 70% of the power it distributes. It buys the rest from the Miguel Alemán system of the Federal Electricity Commission. Currently underway at Mexlight is a large expansion program. Major projects include completion of a fourth generating unit of 82,400 kw at its Lecheria plant, scheduled to go into service in 1960 and the 156,600-kw Mazatepec hydro plant of the Federal Electricity Commission, expected to go "on line" by the end of 1961.

Of course, this kind of expansion costs a lot of money. Early last year the company borrowed $11,000,000 from the World Bank. In addition it opened another money door in August 1958 when it sold

$4,500,000 of 6% first mortgage bonds to a US institutional group which had never bought securities of companies operating in Mexico.

Total debt is about $83,000,000. The company also has outstanding some 853,000 shares of $1 cumulative preferred plus 2,160,000 shares of common. Largest block of the common and preferred (about 40%) is held by the important Sofina group in Belgium.

Currently the common stock sells around 14 on the Toronto Stock Exchange *v* 1½ in 1950. It has paid dividends since 1954, brought shareholders $1 plus 5% in stock in 1958. Dividends are subject to a 15% Canadian non-resident tax, deductible from US income taxes. Sometime in the future the company believes it may have to resort to some equity financing.

Mexican Holders. When that time comes, chairman Draper hopes many of the shareholders will be Mexican. In Mexico City last week one investment banker described Bill Draper as one of the few executives who is truly "international" in his thinking. He has tried to create interest on the part of local shareholders to own stock in the company. He believes this is the way to avoid nationalization. To some extent he has already been successful. About 30% of the preferred is in Mexican hands. There are also very few non-Mexicans among the company's nearly 10,000 employes. Chairman Draper says: "Only 30 or 40 are foreigners including less than half a dozen Americans."

Chairman Draper and president & general manager Gustave Maryssael have sparkplugged Mexlight's recent progress. They also give credit to predecessor George S Messersmith who in 1950 worked out the arrangements with the World Bank and the Mexican government under which the company financed its construction program.

Bill Draper joined the company in 1953 after a varied career as financier, soldier and diplomat. A former vice president of investment bankers Dillon, Read, he served as Economic Advisor to General Lucius Clay in the rehabilitation of Western Germany, as Under Secretary of the Army and later as the US Representative (with rank of ambassador) on the NATO Council. Last November President Eisenhower appointed him chairman of the President's Committee to Study the United States Military Assistance Program and just last week chairman Draper presented Ike with the Committee's "preliminary conclusions."

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WHITE WHEELER

First fiberglass cab for commercial truck tractors is found on this White Motor Company model 5000. The new lightweight model measures only 50 inches from bumper to back, is designed to leave the maximum space and weight allowance for the payload portion of the truck. This is vital for cost-conscious truck operators who seek to take full advantage of greater trailer lengths and weights now permitted in many states. The 5000 joins such other new lightweight models as the 4400 TDL and the Autocar "A" in a continuous White program aimed "at expanding our market and product coverage." Another part of the White program has been active diversification. Thanks to a number of timely acquisitions White now has a full line of heavy-duty and lighter type trucks and truck tractors as well as suburban delivery trucks. Its Sterling and Autocar divisions (acquired in 1951 and 1953 respectively) specialize in extra-heavy duty trucks for both on & off the highway work. In June 1957 White acquired Reo Motors of Lansing, a major supplier of Government vehicles. In March 1958 Diamond T brought with it a further line of medium-heavy and extra-heavy duty trucks.

White diversification has not been entirely limited to trucks. Through the 1955 purchase of the Diesel Engine division of National Supply it also turns out a full line of diesels for trucks as well as for marine, oil field, stationary power and other uses.

While many competitors suffered from a greatly slowed market for new trucks in 1958 broad-based White managed to steer through the somewhat shaky first nine months to a highly successful close. Net fell 17% through September but a sensational fourth quarter gunned full-year results 6% ahead of 1957 to record profits of $7,191,000 or $6.97 a share. Sales rose 19% to $269,000,000.

White chairman Robert F Black figures "the marked improvement in heavy-duty truck sales now being experienced by our company will continue at the very least through the first half of the year." In celebration White directors in February boosted the dividend to 87½¢ from 75¢ and proposed a 2-for-1 stock split which took effect late last month.

Resolution

"When the sale of Thrale's brewery was going forward, Johnson (who was an executor), on being asked what he really considered to be the value of the property, answered: 'We are not here to sell a parcel of boilers and vats, but the potentiality of growing rich, beyond the dreams of avarice.'"

—*Boswell's* Life of Johnson

It was like the shrewd doctor to put his finger on the motive behind most human endeavor—and then express it so quotably.

We strongly suspect that "the potentiality of growing rich, beyond the dreams of avarice" is what prompts many people to buy stocks. Yet honesty compels us to say that although fortunes have most assuredly been made in the market, it's usually wise to set your sights somewhat lower than that.

For in investing as in other matters, the spectacular success is the exception, not the rule, and risks are likely to be in proportion to gains. So be realistic when you invest. Don't expect to make a million—and don't panic as the market fluctuates, either.

Have your own aims firmly in mind and then choose your investments with care, and you have an excellent chance of bettering your lot if not of "growing rich, beyond the dreams of avarice."

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Accepted as controlled
circulation publication at
POUGHKEEPSIE, N. Y.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N.